



*Our Precision, Your Advantage*

# KYB Group Report 2020

(April 1, 2019 - March 31, 2020)



## Message from the President



During KYB's next 100 years, we will continue to create new value as a leader in hydraulics based on our spirit of creativity.

A handwritten signature in black ink that reads "Masao Ono".

Masao Ono  
Representative Director,  
President Executive Officer

## Our 100th Anniversary and the First Year of KYB's Recovery

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### **We will use the occasion of our 100th anniversary to return to the tenets of our founder and combine the collective strengths of the KYB Group.**

In November 2019, we celebrated the major milestone of the 100th anniversary of Shiro Kayaba's founding of the Kayaba Research Center. The spirit of vitality, love and creativity that Shiro Kayaba made his basic philosophy then as manager has been passed down in our current Corporate Spirit—"By serving technologies and products that make people's lives safe and comfortable, KYB group dedicates to the society"—and contributes to the growth of KYB today. We consider it our mission to continue providing an unbroken link between our past and our future.

However, as we announced in FY2018, the nonconforming acts associated with seismic isolation/mitigation oil dampers and improper claims to the Ministry of Defense have significantly impaired the trust we have earned since our founding.

The KYB Group made a new start in FY2019, which it viewed as "the first year of KYB's recovery," and worked

tirelessly to bring its nonconforming dampers into conformity as quickly as possible and prevent a recurrence. We are also constantly working to foster awareness of compliance. We are sequentially replacing nonconforming dampers and conducting other measures to bring them into conformity. As of June 30, 2020, we have completed approximately 60% of the replacements and aim for full completion by March 31, 2021. In addition, so we do not repeat the same mistakes, we will return once again to the tenets of our founder and combine our collective strengths to complete implementation of our measures to prevent a recurrence.

I want to protect the heritage that has been passed down since our founding so that the KYB Group remains attractive to its stakeholders. To achieve this, I will also focus on improving the working environment in the belief that it is crucial for each employee to work with vitality, love and creativity.

## New Medium-Term Management Plan and Company Policies

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### **We have developed a three-year management plan to regain trust and restore our pride with the aim of being a company that is attractive to its stakeholders.**

The three years covered by our previous medium-term management plan were a very difficult period for us, albeit with many positives that give rise to optimism and hope for future growth. I hope that *KYB Group Report 2020* will serve as a medium to convey our various initiatives to stakeholders.

In FY2020, we begin a new three-year medium-term management plan that continues to place awareness and practice of compliance at the core of our management as we aim to transform into a highly profitable structure under the slogan "Recovering trust and pride." In addition to strengthening governance by spreading awareness and the practice of compliance, the plan's basic policy entails making a clear shift in emphasis from net sales to high profitability. In doing so, we will build a robust, sustainable

corporate structure capable of generating the innovative manufacturing and products that will support us in the future. Along with pursuing profitable and sustainable businesses, we will focus on creating a workplace where employees can take pride in work they find worthwhile, with a stance of meeting the expectations of customers and society as the basis of our corporate activities. I intend to change our previous ways of thinking and working in order to create new value.

The COVID-19 pandemic continues with no end in sight. Nevertheless, the entire KYB Group will continue to diligently and actively communicate with its stakeholders to regain their trust as soon as possible.

Thank you for your continued guidance and support.

# KYB's Heritage

**“The intellect of humans knows no bounds,  
nor does their passion.**

**Nothing is perfect.**

**However, the unique ability of humankind to  
progress lies in its constant search for perfection.**

**A top does not fall when it is spinning,  
and flowing water remains pure.**

**I cannot help but think that reflecting on every  
aspect of management and improving ingenuity  
underpins the ongoing growth of a company.”**

(The words of founder Shiro Kayaba)

## 100th Anniversary

### Centenary of the Founding of the Kayaba Research Center

The origins of KYB date back to 1919 at the Kayaba Research Center, which inventor Shiro Kayaba founded at the young age of 21. Since then, we have continued to improve our technologies and celebrated our 100th anniversary in November 2019.

“The unique ability of humankind to progress lies in its constant search for perfection” — These words left by Shiro Kayaba have become part of KYB's heritage of continuing to take on challenges without being satisfied with the status quo.

Shiro Kayaba was fascinated by hydraulic technology, and one of his numerous inventions was hydraulic buffers (oleo struts) for aircraft in the 1920s, which he developed utilizing the most advanced hydraulic technology at the time. Oleo struts clearly demonstrate Shiro Kayaba's philosophy of design in which “simplicity is the best technology.” Repeated increases in production paved the way for the

subsequent growth of KYB. The technology acquired during the development of oleo struts was used in the creation of automobile shock absorbers after World War II. In addition, the hydraulic components for aircraft control systems that were developed at the same time significantly improved control, which previously relied on physical force. This control technology has become the basis of modern construction machinery and industrial cylinders.

Today, backed by the hydraulic technology-centered research it has accumulated since its founding, KYB has developed into a comprehensive manufacturer of hydraulic equipment that supplies products and services to manufacturers around the world. “A top does not fall when it is spinning, and flowing water remains pure.” We will continue to devise and improve products to contribute to the sustainable development of society.

#### History

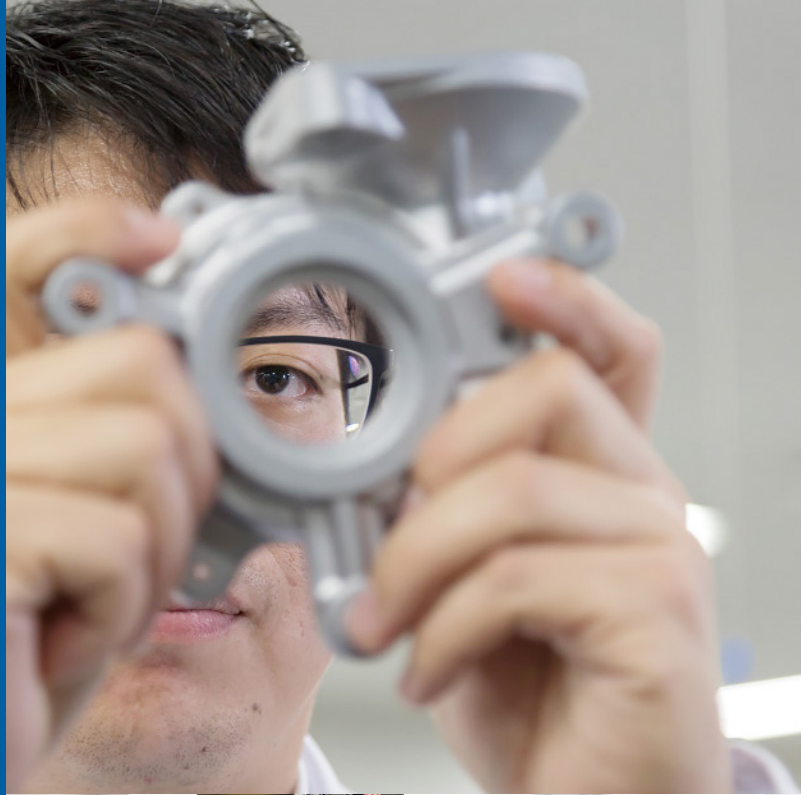
1919 Kayaba Research Center founded by Shiro Kayaba  
1927 Kayaba Seisakusho established  
1935 Kayaba Manufacturing Co., Ltd. established  
1948 Kayaba Industry Co., Ltd. established  
1959 Listed on the Tokyo Stock Exchange

1973 Overseas headquarters established with the aim of full-scale overseas expansion  
1985 Company name in Japanese changed from kanji (Chinese characters) to katakana (Japanese characters)  
2015 Company name changed to KYB Corporation

## A Spirit and Technologies That Pass On “Vitality, Love and Creativity”

Shiro Kayaba imbued the company he founded with the basic tenets of vitality, love and creativity. This expresses his belief that creative ideas are born in a workplace with boundless vitality, and that we can use that power to contribute to people worldwide. Ever since then, KYB has taken a perspective and approach unique to an independent company in order to grow by accumulating experience and technologies while working with a wide variety of manufacturers to flexibly respond to customer issues and contemporary needs.

KYB also passes on Shiro Kayaba’s belief that the development of new technologies is the basis of corporate development through the Kayaba Award, which was established in 1975. The award is given to employees who make remarkable achievements from a creative perspective in the area of technology development. Technicians grapple with their chosen themes on a daily basis while addressing the needs of customers and society with the aim of winning the award. Our ability to achieve superior quality backed by technological expertise is the cumulative work of each of our employees. Our founder’s aspirations still serve as the bedrock of the KYB Group today and are our driving force in untiringly taking on new challenges.



The metal plating of oleo struts on the sliding components of a Japanese Zero fighter plane discovered on the bottom of Japan’s Seto Inland Sea in 1977 was still shiny after more than 30 years underwater, demonstrating the sophistication of KYB’s technologies.



**“Always look outward toward the world.  
Do not fall behind progress.  
Lead progress if you can.  
And take a philosophical approach.”**

## Continuing to Change as a Leading Company

The original philosophy that Shiro Kayaba espoused has been passed down as an attitude of going beyond focusing solely on technological innovation to take a heuristic approach of trial and error in all aspects and continuing to explore without giving up.

Examples include our research and development on our test track that reproduces different road surface conditions around the world, our production line that continuously enhances our leading manufacturing expertise, and our product lineup that consistently incorporates customer feedback for repeated innovation. The process of trial and error supports KYB’s unique product development capabilities.

In turbulent times, KYB will pursue the true essence of things from the elevated standpoint of its founder as it continues to take on the challenge of creating high-value-added products as an independent company with a focus on creativity.



## Distinctively Creative Development That Meets Contemporary Needs

### Automobiles

**1948**

Standard (twin-tube) shock absorbers



The cylindrical shock absorber developed by applying the mechanism of the hydraulic buffers (oleo struts) for aircraft offered superior performance in terms of cost, durability, and drivability compared with the mainstream products at the time, and was widely adopted by automobile manufacturers in Japan, who were expanding production. These products played a part in improving the performance of Japanese passenger vehicles.

### Special-purpose vehicles

**1952**

Hi-Lo\* concrete mixer truck



The post-World War II boom in construction required the production and transportation of high-quality ready-mixed concrete, and this product's strong reputation for its excellent mixing performance helped KYB grow quickly into a top manufacturer.

\* Brand name derived from "High Quality, Low Cost," which was used as a slogan.

### Construction machinery

**1972**

Multilayer valve/MS valve



We succeeded in downsizing the controller at the heart of a hydraulic system to create a more sophisticated, component-based system. The existing large and complicated piping was redesigned. It was hailed as a revolutionary hydraulic valve, and provided a foothold for KYB to enter the field of industrial-use hydraulic equipment.

### Construction machinery

**1984**

KCH high-pressure cylinder for construction machinery

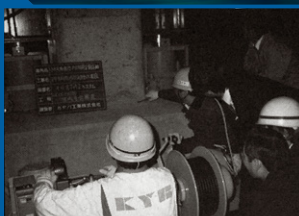


This high-pressure cylinder for construction machinery with a new structure was developed to achieve the world's highest quality. The seal, which was developed in-house, maintains the high level of airtightness and durability required for the high-pressure, high-speed operation characteristic of construction machinery. Ongoing improvements have been made to this mainstay product, and the latest model is KCH-7.

### System products

**1989**

Differential settlement modification system

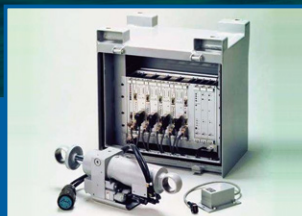


The differential settlement modification system utilizes the electronics technology we have been involved with since the 1970s. The system automatically measures settlement at approximately 800 locations in a building to correct its inclination by jacking up the pillars. It is used to support Kansai International Airport, where the ground is soft.

### Railroad equipment

**1996**

Semi-active suspension system

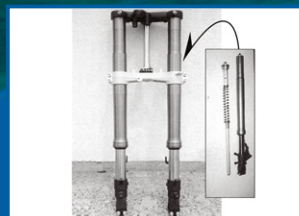


KYB developed the world's first electronically controlled railway suspension system for mass-produced vehicles, consisting of a control unit, acceleration sensor and semi-active damper. Even at high speeds, it controls sway caused when trains cross paths and wind pressure when entering tunnels, earning a positive evaluation for its riding comfort and stability.

### Motorcycles

**2002**

Lightweight, high-performance front fork for extreme-performance sports motorcycles



KYB developed the world's lightest high-performance front fork, introducing many new technologies, materials and structures that dramatically improve operability, with optimal damping force to achieve a riding experience that offers both performance and comfort. The product has been adopted by several motorcycle manufacturers to meet the needs of extreme-performance sports motorcycles.

### Automobiles

**2004**

Vane pump for continuously variable transmissions (CVTs)



We developed this vane pump for use in CVTs in response to the success of our vane pump for power steering. It meets demands for space saving, high efficiency, low noise and low cost, and we thoroughly eliminated contamination throughout the production line.



## Corporate Spirit (What KYB Aims to Be)

**By serving technologies and products that make people's lives safe and comfortable, KYB group dedicates to the society.**

1. We shall follow all rules and face all issues with honesty.
2. We shall build a corporate culture full of vitality, and hold high goals.
3. We shall value sincerity, cherish nature and care for the environment.
4. We shall constantly pursue creativity to contribute to the prosperity of customers, shareholders, suppliers and society.

## Corporate Statement

### Our Precision, Your Advantage

In moving ahead with its business, KYB will continue to offer reliable quality to its end users and clients. We believe this not only results in an "advantage" to our stakeholders, but also lets our employees feel that they are changing the world for the better through the quality they help create. The wish to give our employees the "advantage" of the joy of *monozukuri* is incorporated in our corporate statement.

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## Editorial Policy

The KYB Group has issued this integrated report since FY2019 to communicate its management policies, business strategies and CSR activities to shareholders, investors and all other stakeholders. We hope to create new opportunities for dialogue by covering business performance, management strategies and other financial information, as well as the environment, society, governance (ESG) and other non-financial information in order to inform readers about our efforts to increase corporate value over the medium to long term. For a better reading experience, we will continue to improve the report based on stakeholder feedback. We welcome your suggestions.

## Reporting Period

FY2019 (April 1, 2019 to March 31, 2020)

(Includes efforts that are outside the above reporting period)

## Scope

The report covers KYB Corporation and subsidiaries and affiliates in Japan and around the world. Environmental data is for KYB Corporation (Sagami Plant, Kumagaya Plant, Gifu North Plant, Gifu South Plant and Gifu East Plant) unless otherwise annotated.

## Date of Issue

November 2020

## Forward-Looking Statements

This report includes plans and forecasts as of the issue date, and estimates based on our business plans and management policies. Forward-looking statements are based on information available at the time of report preparation, and actual results may differ depending on changes in relevant conditions.